



Accounting and Financial Policies and Procedures Manual

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Accounting and Financial Policies and Procedures Manual

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American Association of Orthopaedic Executives

ACCOUNTING AND FINANCIAL POLICIES AND PROCEDURES MANUAL

Introduction:

The American Association of Orthopaedic Executives (AAOE) is the premier orthopaedic practice management association, dedicated to providing education and resources to orthopaedic practice executives and their staff. Membership is composed of orthopaedic professionals. Founded in 1969, the AAOE is exempt from taxation under Section 501(c)3 of the Internal Revenue Code. Its fiscal year is January 1 through December 31.

The AAOE management team is responsible for all financial activities and reporting requirements of the AAOE and to provide financial information to the Board of Directors and various regulatory agencies.

Purpose of this Manual:

The policies and procedures discussed herein address various accounting and financial policies. These policies are designed to enhance financial accountability and transparency, eliminate misunderstandings, and protect the assets and viability of the AAOE. It is the responsibility of the AAOE Board of Directors, Finance Council, Audit Committee, and AAOE management team to ensure sound accounting practices and internal controls.

While every effort is made to keep this manual up-to-date, all items referenced herein are subject to modification, amendment, or deletion. The Finance Council shall review this manual at least annually and make recommendations to the Board of Directors as necessary, regarding amendments, deletions, and additions.

Finance and Accounting Responsibilities:

The accounting records of the AAOE are audited annually by an independent CPA firm. Once accepted, the audit report is published on the AAOE website and is available to members.

An annual budget is prepared, along with timely and relevant financial reporting. Key elements to achieving these objectives include:

1. Sound fiscal policies and procedures
2. Sound internal control policies and procedures
3. Timely and accurate financial reports
4. Effective use of information technology

Segregation of Duties:

It is the policy of the AAOE to ensure an adequate segregation of responsibilities with regard to all aspects of the financial operations of the AAOE to include but not limited to cash receipts, bank deposits, bank statement reconciliations, invoice approval, check preparation, check signing, and expense reimbursement approvals. Additionally, the AAOE shall consult with an independent CPA firm to study internal controls and recommend improvements in segregation of duties annually.

Comprehensive Policy:

The Finance Council shall submit policy recommendations to the Board of Directors for action. Once a policy has been approved by the Board of Directors, it shall constitute an effective policy. Thereafter, any changes to a policy shall be required to go through the established review and approval process.

All accounting and financial policies contained within this manual are all inclusive and supersede any and all previously adopted accounting and financial policies. Furthermore, any exception to a policy, which must be approved by the Board of Directors, must be clearly documented and shall not in any way make the exception a policy.

Budget

AAOE management shall prepare the budget with the President and Treasurer for approval by the Executive Council. The Executive Council shall recommend to the Board of Directors, for approval, the annual budget for AAOE. All budgets shall be prepared on a zero-based budgeting system with sufficient detail to identify revenue and expenditures by program and project in accordance with the AAOE chart of accounts. The budget only shall contain income and expenses for projects, programs, and activities that are well defined and planned, and for which it is reasonable to project, with a relatively high degree of accuracy, the related income and expense.

Budget Amendments

From time to time, the Executive Council may amend the annual budget of the AAOE. This shall require approval from the Board of Directors.

Reserves

Reserves are unrestricted net assets, excluding property. Reserves might be tapped in the following situations:

1. To infuse funds for maintaining operations during times of financial or other stress, given a solid plan of action;
2. To be used as venture capital or seed money for new programs and services necessary for organization growth and for appropriate multi-year programs and services, to be repaid to the reserve fund, regardless of program success, based on a payment plan approved by the Board of Directors;
3. To fund necessary multi-year research, such as needs assessments, market research, or other research with multi-year benefit that cannot be funded within one fiscal year;
4. To fund infrastructure requirements that cross several years in service or use and therefore shall not be charged to the yearly operating budget, such as technology with multi-year impact.

It is the policy of the AAOE to maintain a reserve equal to 12 months of AAOE's annual unrestricted operating expenses.

Reserve levels shall not drop below 50 percent of unrestricted annual operating expense. If the budget process or financial projections show that this threshold shall be crossed, the Board of Directors shall devise a plan for corrective action and implement it.

Sixty-five percent of the 12-month reserve fund must be maintained in cash instruments such as money-market funds, short-term U.S. Treasury Bills, or certificates of deposit,

timed to mature throughout the year. The remaining 35 percent may be invested by a balanced formula in stock, bond, and/or real estate mutual funds. Investment in any individual stocks or bonds would establish a much greater risk margin and are off limits.

Until the reserve is met, the expense budget shall be built to include a 2 – 5 percent contribution of total revenues to reserves.

Financial Statement Presentation and Distribution

Amended November 13, 2013

It is the policy of the AAOE to prepare and distribute monthly financial statements using the accrued method that shall include the Balance Sheet and Profit and Loss Statement. These statements shall be prepared and distributed on a quarterly basis.

The statements shall be distributed electronically quarterly. In addition, the review of the statements shall appear on all agendas of the Executive Council, Finance Council, and Board of Directors.

Audit

It is the policy of the AAOE to ensure that its financials are reviewed, on an annual basis, by an independent certified public accounting firm, selected by the Board of Directors.

- AAOE management shall serve as the conduit between the Board and the CPA firm.
- The audit specifications shall include a management letter to the Board of Directors regarding internal financial operations and controls and recommendations for improvement, where applicable.
- The performance of the CPA firm shall be evaluated by the Treasurer in conjunction with the Finance Council.
- The Finance Council shall review the performance of the CPA firm managing the Association's audit annually, or sooner if the situation warrants. If applicable, a RFP shall be developed and distributed for the sole intent of replacing the CPA firm.
- Every three (3) years, or sooner if the situation warrants (see item above), a RFP for the management of the Association's audit needs shall be developed and distributed to at least three separate firms. The Audit Committee shall provide a comparative analysis of at least three CPA firms, as well as a recommendation, to the Finance Council. The Finance Council shall select and approve the most appropriate CPA firm.

Accounts Payable

Amended November 13, 2013

It is the policy of the AAOE to process and send check disbursements within the following timeframe:

1. Vendors: within terms as stated on the vendor invoice. The term "upon receipt" shall mean within 20 business days of receipt of the invoice.
2. Speakers, member, and staff reimbursement requests: within 20 business days of receipt of the invoice.
3. Early payment discounts shall be taken if they result in a benefit, and recorded as a net expense.

In an effort to enhance internal controls and ensure a clear segregation of duties, the following policies shall be followed:

1. Somerset CPAs, P.C.'s Accounting Staff shall process vouchers and print checks once a week and no less than every two weeks;
2. Checks shall be assembled and delivered by the Somerset CPAs, P.C.'s Accounting Staff to AAOE Management to be forwarded to the appropriate check signer;
3. Mailing of checks shall be done by an AAOE staff member and Somerset CPAs, P.C.'s Accounting Staff will scan all original vouchers and check stubs into ECM Worksite for filing. In agreement with the AAOE retention policy, Somerset CPAs, P.C. Accounting Staff will box, label and send to AAOE. Offsite storage of supporting paperwork shall be done by AAOE management.

e-Signature Check Signing

Adopted November 13, 2013

1. To have a list of checks for approval be made available out on a portal, which is set up and managed by Somerset CPAs, P.C.
2. Somerset CPAs, P.C. accounting staff will scan copies of the checks and any supporting documentation to the portal.
3. The Treasurer and/or the President will receive an email alerting them to the fact that there are checks to be signed and are available for review.
4. Once reviewed, the appropriate person(s), per the Check Signing Authority Policy, would email Somerset CPAs, P.C. approval or denial via email from their professional email address.
5. Somerset CPAs, P.C. will then print the approved checks and deliver them to AAOE management for disbursement.

Check Disbursements

Amended November 13, 2013

Because of the need for strong internal controls and segregation of duties, these policies concerning check disbursements shall always be followed:

Unused check supplies will be safeguarded at the Senior Manager's office of Somerset CPAs, P.C. The key shall be maintained by the Senior Manager of Somerset CPAs, P.C.'s Accounting Staff. Somerset CPAs Accounting Staff shall process and print checks for supervisor review. Somerset CPAs, P.C. Accounting Staff shall assemble checks, envelopes and remittance copies and deliver to the Director of AAOE or other appointed AAOE personnel. . AAOE Staff shall mail checks to the appropriate parties.

1. Unused checks are pre-numbered, stored under lock and key, and requested formally.
2. The signing of blank checks is prohibited.

Signed checks that have not been mailed or distributed shall be stored securely by AAOE Management.

Voided Checks

Checks are voided for many reasons, such as errors made in the course of preparing a check, duplicate payments made to vendors, stop payments issued on lost checks, etc.

Regardless of the situation, every voided check shall be accounted for on a voided checks log. The voided checks log shall be the responsibility of the Somerset CPAs, P.C. t Accounting Staff and shall be available for the annual audit.

It is the policy of the AAOE to maintain a Voided Checks Log and document every check that has been voided, regardless of reason.

If voided checks are physically available, they shall be stamped "VOID", the signature line shall be torn off, and they shall be mailed to the AAOE office, to be filed in the voided checks file. Following the acceptance of the annual audit, all voided checks shall be shredded.

Check Signing Authority

Amended November 13, 2013

Amended November 17, 2011

Proper segregation of duties is a must to ensure adequate internal controls for check preparation.

The following four rules govern the selection of individuals to sign checks:

1. Individuals who prepare checks cannot sign checks.
2. Individuals who reconcile bank statements cannot sign checks.
3. The Executive Director may sign checks for \$2,500 and less with the exception of checks payable to self, staff and Somerset CPAs, P.C.

It is the policy of the AAOE to give check-signing authority to the following positions:

1. Executive Director
2. Treasurer
3. President

Checks shall be signed according to the following Board-approved limits:

\$2,500 and less	Requires one (1) original or e-signature of the Executive Director OR Treasurer OR President.
\$2,501 through \$10,000	Requires one (1) original or e-signature of the Treasurer OR President.
\$10,001 and above	Requires two (2) original or e-signatures of the Treasurer AND President.

Bank Reconciliations

Amended November 13, 2013

In the interest of proper, internal controls:

1. The bank statement shall be addressed to, opened by, and reviewed by AAOE management who is not involved in the accounting or bank reconciliation process.
2. Bank reconciliations shall be conducted in a timely manner (within 30 days) by the Somerset CPAs, P.C. Accounting Staff.
3. Voided checks shall be documented and accounted for properly. (See Voided Checks Policy, above.)

Expenditure Approvals

Non-Budgeted Expenses:

Non-budgeted expenses include costs that are not included in the budget approved by the Board of Directors. This does not apply to budgeted items that have a negative variance.

Up to \$5,000	Executive Director
\$5,001 - \$10,000	Treasurer OR President
\$10,001 - \$25,000	Treasurer AND President
\$25,001 and above	Executive Council

Travel Advances

Adopted November 13, 2013

If travel advance is needed, an advance up to \$150 per day (per diem and lodging) for each day of travel may be requested by an employee traveling on business. Advance requests should be submitted to accounting for processing no later than 2 weeks prior to the scheduled business trip. All advances must be accounted for within 2 weeks of the last day of travel. Future advances will not be awarded until a satisfactory accounting has been received by the accounting department.

Travel – Volunteers, Speakers, and AAOE Management

Amended November 13, 2013

The AAOE recognizes volunteers give generously of their time and spend time away from their practices/groups to participate in AAOE events. It is important to AAOE that the travel policy be fair, consistent, and easily understandable. In addition, it must provide for prompt and accurate reimbursement of expenses incurred. Finally, it must fulfill certain obligations required by the Internal Revenue Service and also adhere to principles of prudent management.

No member is eligible for reimbursement for travel to the Annual Conference. This is the case even if a member is scheduled to attend a Board, Council, Committee, or Task Force meeting during the course of the Annual Conference. Exceptions shall be communicated prior to the event by the Executive Director, following approval by the Board of Directors.

Volunteers and speakers shall not make reservations until a formal meeting invitation is sent by AAOE management. If arrangements are made prior to the invitation, all expenses related to changing travel plans are the responsibility of the individual.

Domestic Air Travel:

Travelers are strongly encouraged to use a discount website to book airfare for AAOE business, such as www.KAYAK.com, www.PriceLine.com, or www.Expedia.com, among others. In so doing, travel costs can be kept to a minimum, but travelers retain any reward miles that may apply.

Round-trip travel shall be booked on one airline whenever possible (the same airline going and returning). If the ticket exceeds \$550, traveler must have written approval from the Executive Director prior to booking the flight or the flight may not be reimbursed.

Discounted non-refundable and non-transferrable coach class tickets for scheduled meetings shall be purchased at least 30 days prior to travel, as this shall generally yield the lowest fare available. Tickets shall be purchased online whenever possible to reduce expenses.

Reimbursement for coach class shall be limited to the 30-day advance rate.

AAOE shall reimburse for the additional fees charged by the airlines for checked bags up to a one bag maximum. Overweight baggage fees shall not be reimbursed. Flight changes shall be reimbursed up to \$150 per round trip, with advance written approval from the Treasurer or Executive Director.

Use of a private airplane shall not be reimbursable.

Upgrades, Early Boarding, and Extra Miles:

Upgrade, early boarding, and extra mile purchases are not reimbursable, including upgrades to Economy Plus.

E-tickets vs. paper tickets:

Do not request paper tickets when making travel arrangements. The airlines have created interlining agreements (to facilitate flight changes that occur because of aircraft delays or weather problems) that have diminished the usefulness of paper tickets. In addition to the \$50 fee for issuing paper tickets, there is also a charge to send the ticket via Federal Express. If a ticket is lost, there is an additional fee to replace it.

Hotel/lodging:

Lodging accommodations shall be made at mid-price hotels, such as Starwood, Hilton, Marriott, or Hyatt properties. AAOE shall reimburse lodging expenses up to \$250 per day including all taxes, with the exception of hotel stays in New York, Washington D.C., and San Francisco, which are reimbursable at a maximum of \$350 per day including all taxes.

Meals:

AAOE shall reimburse individuals for meals in conjunction with official AAOE business at a rate of \$100 per day, excluding those meals provided by AAOE. AAOE shall not reimburse for meals taken in lieu of AAOE-provided or sponsored meals, or for meals after travel has concluded (i.e., after return flight).

Other travel expenses:

AAOE shall reimburse individuals for usual and customary miscellaneous expenses related to travel in conjunction with AAOE business. Allowable expenses in this category include:

- Internet usage based on hotel's access charge and reasonable cost.
- Customary gratuities for baggage handling, etc.
- Ground transportation to and from airports.
- Valet laundry service up to \$50 when AAOE approved travel covers seven consecutive days.

Master accounts at hotels shall only cover the room and tax. Any other incidental expenses shall be paid by the traveler and claimed on the expense voucher, if appropriate.

Personal expenses are not reimbursable. Examples of personal expenses include, but are not limited to, child care, pet care, entertainment, and toiletry purchases.

Automobile travel:

AAOE shall reimburse individuals traveling in conjunction with AAOE business via personal automobile at the published US Government Internal Revenue Service rate per mile. If a personal vehicle is used in lieu of airline travel, mileage reimbursement may not exceed the cost of the commercial 30-day advance coach airfare. Automobile rental for travel in conjunction with AAOE business will not be reimbursed unless the cost, plus automobile rental is less than the cost of a direct flight, and without prior written approval from the Executive Director. Hotel shuttle vans and taxis are the preferred mode of ground travel.

SPECIAL RULES REGARDING TRAVEL**Add-on personal travel:**

Add-on or personal travel is defined as travel either before or after AAOE meetings that is scheduled at the sole discretion of the traveler. All expenses incurred with add-on travel are the responsibility of the traveler. This includes airfare for stop-overs.

Expense reporting/receipts:

Requests for reimbursement must be submitted on an AAOE Expense Voucher Form. All charges except tips and tolls require a receipt supporting the expense. Any amounts greater than \$25 without proof of purchase shall be reimbursed at the \$25 maximum, per AAOE policy. As required under IRS guidelines receipts for meals shall be detailed showing individual food or beverage items. Hotel receipts shall include detailed room folios.

Expense reports (with attached receipts documenting all costs) are due to the AAOE office within 30 days of the completed travel. This ensures timely reimbursement and accurate record keeping. Reimbursement checks are typically issued within 10 business days of AAOE management receipt of vouchers.

Exceptions:

Exceptions to any travel reimbursement policy must be requested and approved in advance by the President, Treasurer, or Executive Director, unless such reimbursement pertains to the President, in which case the request must be approved by the Treasurer. All exceptions are to be brought before the Executive Council or Board of Directors for ratification.

Internet access:

Internet use will be reimbursed for AAOE business or AAOE-related research. Some computer systems do not support all methods of Internet connection.

In order to be reimbursed for Internet connectivity, the traveler must utilize one of the following:

- The hotel's local Internet service provider to access the Internet at the hotel's stated per diem rate. It is the responsibility of the hotel guest to obtain this information and specifics regarding log-on and/or passwords upon check-in, or
- His/her own Internet service provider if that provider has a local access number or toll-free access for the area where the employee, member or faculty is traveling. *It is the responsibility of the employee, member or faculty to ensure that this option is a viable alternative prior to traveling.*

Most national Internet Service Providers (ISPs) have areas on their websites where local access or toll-free access numbers can be found. Please note that when using the service provider's toll-free access number in lieu of a local access number, a surcharge or per-minute charge is typically added to the subscriber's monthly bill. This shall be the subscriber's responsibility to pay and is not reimbursable.

Many national ISPs also have a customer service number to call for the local access number for a given travel destination. Small providers may not have a national access network. The traveler shall contact his/her individual service provider for more details.

NOTE: Expenses not properly documented shall not be reimbursed.

Expense Reimbursement – Volunteers and AAOE Management

Amended November 13, 2013

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This policy describes the process that is designed to ensure that personal monies spent on AAOE affairs are in accordance with these guidelines, and all substantiating documentation is attached.

Eligibility: Reimbursement is strictly limited to:

1. members of the Board of Directors;
2. Board of Directors' spouses for designated social events only (does not include travel, meals, baggage, tips, etc.)
3. members of a Council, Committee, or Task Force;
4. other members of AAOE representing the Association, with approval of the Board of Directors;
5. speakers for educational sessions; and
6. AAOE management

The Executive Director must approve, in advance, all travel and speaking engagements of the AAOE management team. By coordinating all such events, the Executive Director can ensure the appropriate staffing levels and the most effective use of personnel to support AAOE programs, goals, and objectives.

Volunteers and AAOE management are encouraged to be conservative when traveling on AAOE business. This includes booking flights for early discounts and other cost-saving measures. While the range of expenditures shall understandably vary with geographic locations, choices for lodging, meals, and other expenses shall be reasonable and not extravagant.

Volunteers and AAOE management traveling on AAOE business shall be reimbursed for the cost of transportation, meals, lodging, and incidental expenses within specific policy limitations, found in the Travel Policy on pages 13 - 16.

Requests for reimbursement must be submitted on an AAOE Expense Voucher Form. All charges except tips and tolls require a receipt supporting the expense. Any amounts greater than \$25 without proof of purchase shall be reimbursed at the \$25 IRS maximum.

AAOE management is responsible for reviewing, account coding, and approving expense reports submitted by volunteer leadership. If an expense claimed by a member is excessive, it shall be brought to the attention of the Executive Director. If the Executive Director agrees, the information shall be shared with the Treasurer. If they, too, deem the expense excessive, the Treasurer shall communicate with the individual.

If the reimbursement request requires adjustment, AAOE management shall research the change and make the appropriate corrections prior to approving the expense report. AAOE management shall prepare a letter to the submitter of the expense report explaining any changes in the reimbursement. This letter shall be sent under separate cover and a copy shall be retained to attach to the expense report.

The Executive Director shall approve all management reimbursement requests; the Somerset CPAs, P.C. Accounting Staff and Treasurer shall approve reimbursement expenses submitted by the Executive Director.

Expense reports must be submitted within 30 days of incurring the expense.

Contracts and Purchase Orders

It is the policy of the AAOE to require a written agreement (i.e.: a contract or purchase order) for the purchase of all goods or services costing \$2,501 or more, for product revenue agreements, or for any transaction that cannot be completed within one year. The purchase of a capital asset requires a contract or purchase order regardless of amount. Purchases of any items greater than \$5,000 require written bids from at least three independent vendors, all of which must be attached to the contract or purchase order along with written justification for the selection of the vendor. Bids are not required if it is a sole source vendor or when timing is a critical issue. These circumstances must be documented and approved by the President. If the amount of sole source procurement exceeds \$50,000, the Treasurer must also approve the arrangement prior to any services being performed. For clarification, a purchase order is a written agreement but the form differs from a traditional contract and the approval process is different. The term of any contract or purchase order shall not exceed three years nor shall any written agreement automatically renew.

Form to Use:

Contracts:

Use for purchases that are more detailed or complicated, particularly when professional services are involved. Examples include:

- Consulting services
- Meeting services such as for facilities, hotels, audio visual, computer rental and services, and registration services
- Ongoing contractual relationships such as travel agencies and cleaning services

Purchase orders:

Use for relatively straight-forward purchases of goods or services. Examples include:

- Printing of products, brochures, catalogs, preliminary or final programs, and course handouts
- Purchase of computers, software or hardware, furniture, and supplies
- Simple services such as photographic, mailing, or shipping

Preparation and Review:

Contracts:

AAOE management is responsible for developing contracts. AAOE management shall ensure that the contract conforms to his/her understanding of the agreement reached or the bid

sought. Additionally, AAOE Management shall note any non-conformity with established AAOE requirements and review the contract for the following:

- Clarity of language
- Presence of all material terms and conditions:
 - Parties
 - Effective date and expiration of contract
 - Specific details of obligations
 - Price and relationship of specific payments to specific duties performed
 - Place of performance
- Termination clause (that provides for no longer than 60 days notice)
- Copyright or Work Made for Hire provision
- Incorporation of prior or contemporaneous oral or written agreements
- Choice of law provision (i.e., preference is that the law of the State of Illinois shall apply)
- Requested funds have been appropriated and are in the budget for the contract's described purpose or non-budget fund use has been approved or are within scope of authority as per the Bids and Purchase Orders Policy.

The Treasurer shall review the contract and AAOE management's comments for appropriateness of general business considerations. The following are to be considered during the review:

- Amount and timing of payments
- Commercial reasonableness of terms
- Time and place of performance
- Financial feasibility of the contract terms
- Agreement is consistent with the AAOE Strategic Plan and direction
- Review the insurance coverage and protection included in the agreement
- Ensure that the AAOE's interests are adequately protected, specifically reviewing the indemnification and hold harmless and intellectual property provisions.

Purchase Orders (POs):

POs are to be prepared and approved prior to placing an order for goods or services. It is never acceptable to prepare a PO from a vendor invoice. Refer to the "Bids and Purchase Orders" policy.

Questions:

Questions on POs, including when to use a PO versus a contract, contract language or issues, or the contract approval process, shall be directed to the Executive Director.

Bids and Purchase Orders

Bids

Purpose:

This procedure describes the bid process that has been designed to ensure that goods and services the AAOE purchases are competitively priced.

Policy:

It is the policy of the AAOE to require the use of a bid process for the purchase of all goods and services under the following criteria:

Purchase Value	Action Needed
Less than or equal to \$5,000	No bid required.
Greater than \$5,000	Written bids from at least three independent vendors.

The bidding process begins with a written request for proposal (RFP) to ensure uniformity among bids. For instance, competing printers must bid on the same kind of paper, with the same, or similar, turnaround in order for the bids to be comparable, and only a written RFP assures that each bidder must deal with the same set of specifications.

Once all bids are received, they shall be evaluated by AAOE management and the vendor that best meets the needs expressed in the RFP shall be selected. The AAOE recognizes that factors other than price are important in selecting a vendor and that the lowest bid may not be selected in all cases. In the event the lowest bid is not accepted, a written justification to the Treasurer must be prepared explaining the basis for the selection. As part of the RFP development activity, the criteria by which bids shall be evaluated are to be established. If specific criteria are to be weighted for purposes of review and evaluation, these weighting factors shall be developed at the time the criteria are defined.

Copies of all bids must be attached to the purchase order (PO), along with a written justification if the lowest price is not selected.

Exceptions:

Bids are not required when there is only one vendor for a particular service or product or when timing is a critical issue that prevents the opportunity to give vendors sufficient time to develop a proposal (for example, a sole source vendor). These circumstances must be documented and approved by the President prior to any services performed and a PO is requested. Contractual relationships are to be documented and maintained in the AAOE office with a copy of the payment criteria or schedule to AAOE management. AAOE management shall review these relationships annually or as appropriate.

Purchase Orders

This procedure describes the AAOE's purchase order preparation process that is designed to ensure that goods and services are purchased in accordance with the AAOE's bid process and are properly authorized prior to placing an order.

Appropriate signatures, per the table below, represent that the purchase is authorized and is in accordance with AAOE needs and policies, and money has been budgeted for this line item expense.

The review process is two-fold; to determine proper procedures were followed and that money is budgeted for this activity. The approval criteria are as follows:

Purchase Order Amount	Action/Signatures Required
Up to \$5,000	Purchase order is optional – Executive Director approval only, unless for fixed assets which always requires a PO, along with President and Treasurer approval.
\$5,001 - \$10,000	1. Executive Director 2. President OR Treasurer
\$10,001 - \$25,000	3. Executive Director 4. Treasurer AND President
More than \$25,001	1. Executive Director 2. Executive Council

All purchase orders must be prepared using the current form. A complete vendor name and address must be included in the PO. If the goods are to be shipped to an address other than the AAOE office, a complete ship to name and address must be included on the PO. The PO must be signed by AAOE management, as well as those in the table above, dependent upon cost. An example of a complete PO can be found on page 21 and 22.

Do not complete POs from vendor invoices. Purchase orders must be prepared and approved prior to placing an order for goods or services, even when price or quantity is not precisely known. In the event the quantity and/or cost is not known, a reasonable estimate shall be made, clearly indicating how the estimation was derived and what is included.

All POs must be coded with the complete account number, or multiple account numbers if more than one shall be charged.

Once a PO has been completed and approved, copies shall be made for the file, Executive Director, and originator.

Special Arrangements:

Once the term has concluded on contracts and POs, the relationship between the vendor and the AAOE also has concluded. Such vendors may be eligible to submit a bid or answer an AAOE RFP for additional projects/activities. No contract or PO between the AAOE and a vendor or supplier shall have the provision for an automatic renewal at the conclusion of the current term of the agreement. The appropriate bidding procedures as defined in this document shall be followed.

Sensitive Data Security

It is the policy of the AAOE that sensitive data, specifically credit card information and social security numbers, are to be stored and handled securely to avoid improper use or access of this information by unauthorized individuals.

All software systems (purchased and developed in-house) are required to encrypt sensitive data. If it is not possible to encrypt the data, access to electronic files must be restricted through the log-in program.

Printed reports that contain credit card or social security information shall display only truncated numbers. Some reports may require the display of all information for analysis purposes, and electronic access to these reports must be obtained through secure log-in procedures. These reports must be stored in locked cabinets or a locked storage area. When the reports are no longer required, they must be shredded.

Sensitive data is not to be requested or provided in email form. If a member or customer provides this information in an email, the message shall be deleted as soon as possible. The preferred methods for obtaining information are via telephone, in person, through the postal system, or the secure online system.

Faxed information is to be kept in a secure location and when no longer needed, shredded.

AAOE management is responsible for the proper storage, use, and protection of sensitive information. It is not acceptable to leave sensitive information unattended. At the end of the day, all sensitive information must be secured in a locked location.

When AAOE management is working offsite, they must keep sensitive data in a locked box and keep it shielded from exposure to non-AAOE management. This information shall be sent back to the office via overnight mail or secured appropriately.

Staff with access to sensitive data electronically must use screen savers that require a password to unlock. No passwords are to be shared with any other individual.

In the event that sensitive data may have been compromised or lost, AAOE management must contact the Treasurer and the Senior Manager of the Somerset CPAs, P.C. accounting staff within 24 hours of the suspected compromise or loss. If the Treasurer is not available, AAOE management must contact the President.

AAOE management and the Senior Manager of the Somerset CPAs, P.C. accounting staff shall determine and recommend the appropriate course of action to the Treasurer, if he/she is available. Legal opinion or action may be requested.

Records Retention and Destruction

It is the policy of the AAOE that all business records shall be kept no longer than the period necessary for the proper conduct of company business (see AAOE Records Retention/Destruction Guidelines). This policy shall cover all business records of the AAOE, including written, printed and recorded matter and electronic forms of records, including email messages in personal folders. Employees shall review their electronic files regularly and delete them where appropriate to ensure compliance with this policy. These guidelines shall be reviewed annually to ensure consistency with legal requirements of other regulatory bodies.

If a lawsuit, governmental investigation or subpoena is filed, served, or appears imminent, this policy may be suspended requiring that documents relating to the lawsuit or potential legal issue(s) or audits be retained. Once AAOE management or the Board of Directors receives notification that the policy has been suspended, all documents related to the subject in question must be retained rather than destroying them pursuant to the policy.

AAOE Records Retention/Destruction Guidelines

Description	Retention Period
Accident reports and claims (settled cases)	7 years
Accounts payable ledgers and schedules	7 years
Accounts receivable ledgers and schedules	7 years
Audit reports of accountants	Permanently
Bank reconciliations	2 years
Capital stock and bond records; ledgers; transfer registers; stubs showing issues; record of interest coupons; options; etc.	Permanently
Cash books	Permanently
Charts of accounts	Permanently
Checks (canceled, but see exception below)	7 years
Checks (canceled for important payments, i.e., taxes; purchases of property; special contracts; etc. Checks shall be filed with the papers pertaining to the underlying transaction.)	Permanently
Contracts (expired)	7 years
Contracts still in effect	Permanently
Correspondence (routine) with members, customers, or vendors	1 year
Correspondence (general)	3 years
Correspondence (legal and important matters only)	Permanently
Duplicate deposit slips	2 years
Expense analyses and expense distribution schedules	7 years
Financial statements (end-of-year, other months optional)	Permanently
General and private ledgers (and end-of-year trial balances)	Permanently
Insurance policies (expired)	3 years
Insurance records, current accident reports, claims, policies, etc.	Permanently
Internal audit reports	3 years
Invoices to members and customers	7 years
Invoices from vendors	7 years
Membership applications	3 years
Minutes of directors and committees, including bylaws and charter	Permanently
Notes receivable ledgers and schedules	7 years
Purchase orders (except purchasing department copy)	2 years
Stock and bond certificates (canceled)	7 years
Tax returns and worksheets; revenue agents' reports and other documents relating to determination of income tax liability	Permanently
Trade mark registrations	Permanently
Voucher register and schedules	7 years
Vouchers for payments to vendors, employees, etc. (Includes: allowances and reimbursement of employees, officers, etc., for travel and entertainment expenses.)	7 years

Appendix

Purchase Order

Date: September 16 th , 2010	Tax Status
Delivery Date: May 22 nd , 2011	<input checked="" type="checkbox"/> Taxable
	<input type="checkbox"/> Non-Taxable

Vendor Address:

Vendor: XYZ Company
 Address: 123 Street
 Address: Suite 16
 City: Some City
 State: Illinois
 Zip Code: 60012
 Country: USA
 Phone: 847-555-1212

Ship To Address:

Ship To: Addy Kujawa
 Address: 6300 North River Road
 Address: Suite 727
 City: Rosemont
 State: Illinois
 Zip Code: 60018
 Country: USA
 Phone: 847-384-4249

Quantity	Description	Unit Cost	Extension
3000	T-shirts	\$1.00	\$3,000
Subtotal			\$3,000
Tax			\$30
Shipping & Handling			\$40
Total			\$3,070

PAYMENT TERMS: NET 30 DAYS

IMPORTANT: We do not accept C.O.D. shipments. Deliveries will be refused if not inside deliveries and expenses will be borne solely by the vendor.

Requested By:
Director Approval:
Treasurer Approval:
President Approval:

Account #	Amount
4200.43	\$3,070.00
Total:	

Comments for Vendor:

Inside delivery

Comments for Internal Use: